

MULLIKEN DISTRICT LIBRARY  
MULLIKEN, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Multiple District Library</i>	County
Audit Date <i>3/31/05</i>	Opinion Date <i>7/12/05</i>	Date Accountant Report Submitted to State: <i>8/1/05</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Barry E. Gaudeske, CPA, PC</i>			
Street Address <i>1107 E. 8th Street</i>	City <i>Traverse City</i>	State <i>MI</i>	ZIP <i>49686</i>
Accountant Signature <i>Barry E. Gaudeske, CPA</i>			

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FINANCIAL SECTION

### INDEPENDENT AUDITORS' REPORT

Members of the Library Board  
Mulliken District Library  
Mulliken, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mulliken District Library, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Mulliken District Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements present only the Mulliken District Library Fund (a special revenue fund) and is not intended to present fairly the financial position and results of operations of any of the participating municipality's, in conformity with accounting principles generally accepted in the United States of America.

Mulliken District Library  
Independent Auditors' Report  
Page Two

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Mulliken District Library, Mulliken, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV(c), the Mulliken District Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2005.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Sandy E. Handberg, CPA, PC*

July 12, 2005

BASIC FINANCIAL STATEMENTS

Mulliken District Library  
Statement of Net Assets  
March 31, 2005

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 30,168
Capital assets (net of accumulated depreciation):	
Land	10,000
Building	64,088
Books and magazines	<u>64,030</u>
Total Assets	<u>168,286</u>
 <b>LIABILITIES</b>	
Noncurrent liabilities:	
Due within one year	10,515
Due in more than one year	<u>6,962</u>
Total liabilities	<u>17,477</u>
 <b>NET ASSETS</b>	
Unrestricted	<u>150,809</u>
Total net assets	<u>\$ 150,809</u>

See notes to financial statements



Mulliken District Library  
Government-Wide  
Statement of Activities  
For The Year Ended March 31, 2005

Programs	Program Revenues			
	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Culture:				
Library	\$ 46,809	\$ 8,443	\$ 3,511	\$
Other:				
Depreciation	16,681			
Interest expense	<u>1,856</u>	<u>          </u>	<u>          </u>	<u>          </u>
Total governmental activities	<u>\$ 65,346</u>	<u>\$ 8,443</u>	<u>\$ 3,511</u>	<u>\$</u>

**General revenues:**

Township & Village millages  
Interest earnings  
Rentals  
Sale of books  
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expenses)  
Revenues and  
Changes in  
Net Assets

\$ ( 34,855)

( 16,681)

( 1,856)

( 53,392)

51,808

173

1,165

763

860

54,769

1,377

149,432

\$ 150,809

Mulliken District Library  
Balance Sheet  
Governmental Funds  
March 31, 2005

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 30,168	\$ _____	\$ 30,168
Total Assets	<u>\$ 30,168</u>	<u>\$ _____</u>	<u>\$ 30,168</u>
<b>FUND BALANCES</b>			
Fund balances:			
Unreserved	\$ 30,168	\$ _____	\$ 30,168
Total fund balances	<u>\$ 30,168</u>	<u>\$ _____</u>	<u>\$ 30,168</u>

See notes to financial statements

Mulliken District Library  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
March 31, 2005

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 30,168
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Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds:

Cost of capital assets	258,403
Accumulated depreciation	( 120,285)

Long-term liabilities are not due and payable  
in the current period and therefore are not  
reported in the funds.

( 17,477)

Total Net Assets - Governmental Activities	<u>\$ 150,809</u>
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See notes to financial statements

Mulliken District Library  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
Governmental Funds  
For The Year Ended March 31, 2005

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local sources:			
Township & Village millages	\$ 51,808	\$	\$ 51,808
State aid	1,659		1,659
Contributions	1,852		1,852
Fines	8,443		8,443
Interest earnings	173		173
Rentals	1,165		1,165
Sale of books	763		763
Other	860		860
	<u>66,723</u>		<u>66,723</u>
Total revenues			<u>66,723</u>
<b>EXPENDITURES</b>			
Current:			
Culture:			
Library:			
Salaries	19,753		19,753
Maintenance	4,019		4,019
Utilities	3,774		3,774
Videos	2,988		2,988
Miscellaneous	2,477		2,477
Insurance	1,987		1,987
Technology	1,806		1,806
Board expense	1,660		1,660
Payroll taxes	1,511		1,511
Custodial	1,470		1,470
Dues and audit	1,188		1,188
Business supplies	907		907
Magazines	854		854
Secretary/treasurer	725		725
Copier	614		614
Staff books	429		429
Capital Library Co-op	414		414
Cleaning supplies	128		128
Mileage	75		75
Advertising	30		30
Debt service:			
Principal		10,025	10,025
Interest		1,975	1,975
Capital outlay:			
Books	<u>12,287</u>		<u>12,287</u>

Mulliken District Library  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
Governmental Funds  
For The Year Ended March 31, 2005  
(Continued)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Total expenditures	<u>59,096</u>	<u>12,000</u>	<u>71,096</u>
Excess(deficiency) of revenues over(under) expenditures	7,627	( 12,000)	( 4,373)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in(out)	<u>( 12,000)</u>	<u>12,000</u>	<u>          </u>
Net changes in fund balances	( 4,373)		( 4,373)
Fund balances-beginning	<u>34,541</u>	<u>          </u>	<u>34,541</u>
Fund balances-ending	<u>\$ 30,168</u>	<u>\$           </u>	<u>\$ 30,168</u>

See notes to financial statements

Mulliken District Library  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended March 31, 2005

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances - governmental funds	\$( 4,373)
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Governmental funds report capital outlays  
as expenditures. However, in the statement  
of activities the cost of those assets is  
allocated over their estimated useful lives  
and reported as depreciation expense.

The amount by which capital outlays  
exceeded depreciation in the period.

Capital outlays	\$ 12,287
Depreciation expense	( <u>16,681</u> ) ( 4,394)

The issuance of long-term debt provides  
current financial resources to governmental  
funds, while the repayment of the principal  
of long-term debt consumes the current  
financial resources of governmental funds.  
Neither transaction, however, has any affect  
on net assets. This amount is the net  
effect of these differences in the treatment  
of long-term debt and related items.

10,144

Change in net assets of governmental activities	<u>\$ 1,377</u>
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See notes to financial statements

**Mulliken District Library**  
**Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances**  
**-Budget and Actual**  
**For the Year Ended March 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Township and				
Village millages	\$ 50,340	\$ 50,340	\$ 51,808	\$ 1,468
State aid	1,000	1,000	1,659	659
Contributions	500	500	1,852	1,352
Fines	8,700	8,700	8,443	( 257)
Interest earnings	100	100	173	73
Rentals	1,000	1,000	1,165	165
Sale of books	700	700	763	63
Other	700	700	860	160
Total revenues	<u>63,040</u>	<u>63,040</u>	<u>66,723</u>	<u>3,683</u>
<b>EXPENDITURES</b>				
Current:				
Culture:				
Library:				
Salaries	23,000	23,000	19,753	3,247
Maintenance	4,500	4,500	4,019	481
Utilities	4,000	4,000	3,774	226
Videos	3,000	3,000	2,988	12
Miscellaneous	28,054	28,054	2,477	25,577
Insurance	2,000	2,000	1,987	13
Technology	2,500	2,500	1,806	694
Board expense	2,300	2,300	1,660	640
Payroll taxes	2,000	2,000	1,511	489
Custodial	1,600	1,600	1,470	130
Dues and audit	1,000	1,000	1,188	( 188)
Business supplies	1,000	1,000	907	93
Magazines	800	800	854	( 54)
Secretary/treasurer	900	900	725	175
Copier	600	600	614	( 14)
Staff books	500	500	429	71
Capital Library Co-op	500	500	414	86
Cleaning supplies	200	200	128	72
Mileage	500	500	75	425
Advertising	50	50	30	20
Capital outlay	<u>12,500</u>	<u>12,500</u>	<u>12,287</u>	<u>213</u>



Mulliken District Library  
 Special Revenue Fund  
 Statement of Revenues, Expenditures, and Changes  
 in Fund Balances  
 -Budget and Actual  
 For the Year Ended March 31, 2005  
 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Total expenditures	<u>91,504</u>	<u>91,504</u>	<u>59,096</u>	<u>32,408</u>
Excess (deficiency) of revenues over (under) expenditures	( 28,464)	( 28,464)	7,627	36,091
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (out)	<u>( 12,000)</u>	<u>( 12,000)</u>	<u>( 12,000)</u>	<u>          </u>
Net change in fund balances	( 40,464)	( 40,464)	( 4,373)	36,091
Fund balances- beginning	<u>40,464</u>	<u>40,464</u>	<u>34,541</u>	<u>( 5,923)</u>
Fund balances- ending	<u>\$          </u>	<u>\$          </u>	<u>\$ 30,168</u>	<u>\$ 30,168</u>

See notes to financial statements

**Mulliken District Library**  
**Notes to Financial Statements**  
**March 31, 2005**

**I. Summary of significant accounting policies**

The financial statements of the Mulliken District Library (the Library) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

**A. Reporting entity**

The Mulliken District Library is an independent governmental entity that was formed jointly by local units of government to provide library services to residents of the Village of Mulliken and surrounding townships.

The Library's administrative board consists of five members. Officers of the Library Board shall be chosen at the annual meeting of the Library Board, and shall consist of a President, Vice-President, Secretary, Treasurer and Trustee. An officer's term is two years with no limit on renewal.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Fire District. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Library has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Library has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

**C. Measurement focus, basis of accounting and basis of presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Association District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Fire Association District and are recognized as revenue at that time.

The Library reports the following major governmental funds:

The *special revenue fund* is the Library's primary operating fund. It accounts for all financial resources of the Library.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that

those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

#### **D. Assets, liabilities, and net assets**

##### **1. Deposits and investments**

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Library to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Library Board has designated one bank for the deposit of Library funds.

##### **2. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Library is depreciated using the straight-line method over the following estimated useful lives:

Building	40 years
Office equipment	5 years
Books and magazines	10 years

### **3. *Compensated absences***

The Library does not have a compensated absence policy.

### **4. *Long-term obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **5. *Fund balance***

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

### **6. *Use of estimates***

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## II. Stewardship, compliance and accountability

### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Management submits to the Library Board a proposed budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31st, the budget is legally adopted by the Library Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Library Board.
5. Formal budgetary integration is employed as a management control device during the year for the special revenue fund.
6. The budget as presented, has not been amended.

## B. Excess of expenditures over appropriations

During the year ended March 31, 2005, the Library did not incur expenditures in excess of amounts appropriated.

## III. Detailed notes on all funds

### A. Deposits and investments

At year-end, the carrying amount of the Library's deposits were \$30,168 and the bank balance was \$38,738, of which \$38,738 was covered by federal depository insurance.

### B. Capital assets

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>			
Capital assets, not being depreciated	<u>\$ 10,000</u>	<u>\$ _____</u>	<u>\$ 10,000</u>
Capital assets being depreciated:			
Building	88,397		88,397
Office equipment	15,291		15,291
Books & magazines	<u>132,428</u>	<u>12,287</u>	<u>144,715</u>
Total capital assets being depreciated	<u>236,116</u>	<u>12,287</u>	<u>248,403</u>
Less accumulated depreciation for:			
Building	( 22,099)	( 2,210)	( 24,309)
Office equipment	( 15,291)		( 15,291)
Books & magazines	<u>( 66,214)</u>	<u>( 14,471)</u>	<u>( 80,685)</u>
Total accumulated depreciation	<u>( 103,604)</u>	<u>( 16,681)</u>	<u>( 120,285)</u>
Total capital assets, being depreciated, net	<u>132,512</u>	<u>( 4,394)</u>	<u>128,118</u>
Governmental activities capital assets-net of depreciation	<u>\$ 142,512</u>	<u>\$ ( 4,394)</u>	<u>\$ 138,118</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Culture	<u>\$ 16,681</u>
Total depreciation expense-	
governmental activities	<u>\$ 16,681</u>

#### C. Interfund transfers

Interfund transfers:

	<u>Transfer In:</u>		
	<u>Special</u>	<u>Debt</u>	
	<u>Revenue</u>	<u>Service</u>	
Transfer out:	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Special revenue fund	\$ _____	\$ 12,000	\$ 12,000
Total transfers out	<u>\$ _____</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>

#### D. Long-term debt

##### Note Payable

On January 11, 1999 the Mulliken District Library borrowed \$114,009.19 from Union Bank to build the Library Building. The maturity date is January 21, 2114, with an interest rate of 6.75%, and bi-annual payments of \$5,847.60 that are due on January 30th and June 30th of each year.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities	6.75%	<u>\$ 17,477</u>

Annual debt service requirements to maturity for the note payable is as follows:

<u>Year</u> <u>Ending</u> <u>March 31</u>	<u>Governmental</u> <u>Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 10,515	\$ 1,180
2007	<u>6,962</u>	<u>470</u>
Total	<u>\$ 17,477</u>	<u>\$ 4,148</u>



### Changes in long-term liabilities

Long-term liability activity for the year ended March 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>				
Note payable	<u>\$ 27,502</u>	<u>\$ 10,025</u>	<u>\$ 17,477</u>	<u>\$ 10,515</u>

#### IV. Other information

##### A. Risk management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Library has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

##### B. Pension Plan

The Library does not provide a pension plan for its employees.

##### C. Implementation of new accounting standard

As of and for the year ended March 31, 2005, the Fire District implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

COMMENTS AND RECOMMENDATIONS

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

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Members of the Board of Directors  
Mulliken District Library  
Mulliken, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Library Board and should not be used for any other purpose.

*Barry E. Gaudette, CPA, P.C.*

July 12, 2005